



NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

PERFORMANCE & ACCOUNTABILITY REPORT

FISCAL YEAR 2022

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Message from the Chair

I am pleased to present the Performance and Accountability Report for the National Endowment for the Humanities for fiscal year 2022. The report sets forth the agency's goals and objectives for the fiscal year just concluded. The report provides communication on the Endowment's performance, operations, and financial information.

The Endowment's programs received more grant applications in fiscal year 2022 than in previous years. Each eligible application underwent a rigorous peer review process to evaluate the quality and significance of the proposed projects. The information contained in this report summarizes the agency's work on behalf of the taxpayer and the value of NEH's programs for the American people.

In March 2021, NEH received \$135 million in supplemental funding through the American Rescue Plan (ARP) Act to assist cultural and educational institutions and individuals affected by the coronavirus pandemic. NEH awarded funding to (1) its network of state and jurisdictional humanities council partners to support local cultural nonprofits and educational programming across the nation; 2) cultural and educational organizations affected by the pandemic; and 3) organizations to administer competitive grantmaking programs to support humanities activities undertaken by organizations or individuals.

The financial and performance data contained in this report are, to the best of my knowledge, reliable, accurate, and complete. NEH's fiscal year 2022 financial statement audit yielded a 16th consecutive unmodified (clean) audit opinion. Enterprise Risk Management (ERM) was again identified as an area for improvement and NEH continues to make significant progress by establishing even more detailed implementation plans. The agency continues to mature its ERM governance structure and developed more detailed plans for implementation through the next several years which have significantly expanded in scope inclusive of the evaluation of its strategic planning process and assessing the agency's internal controls program and processes. NEH is fully committed to resolving areas identified for improvement as recommended.



Shelly C. Lowe (Navajo)
Chair

I. Management’s Discussion and Analysis

Mission, Vision, and Core Values¹

NEH’s vision is for “*a nation where the public has access to and can benefit from the Humanities without barriers*”.

The agency’s mission is to “*to serve and strengthen our nation by fostering an expanded role for the Humanities*”.

Accessible: We listen, learn, and strive to break down barriers.

Responsive: We provide high-quality support and advice to meet on-going needs.

Collaborative: We work respectfully and inclusively through collaboration and open communications.

Reflective: We encourage critical, deep, and innovative thinking.

Integrity: We uphold public trust through honesty, fairness, and transparency.

Organization

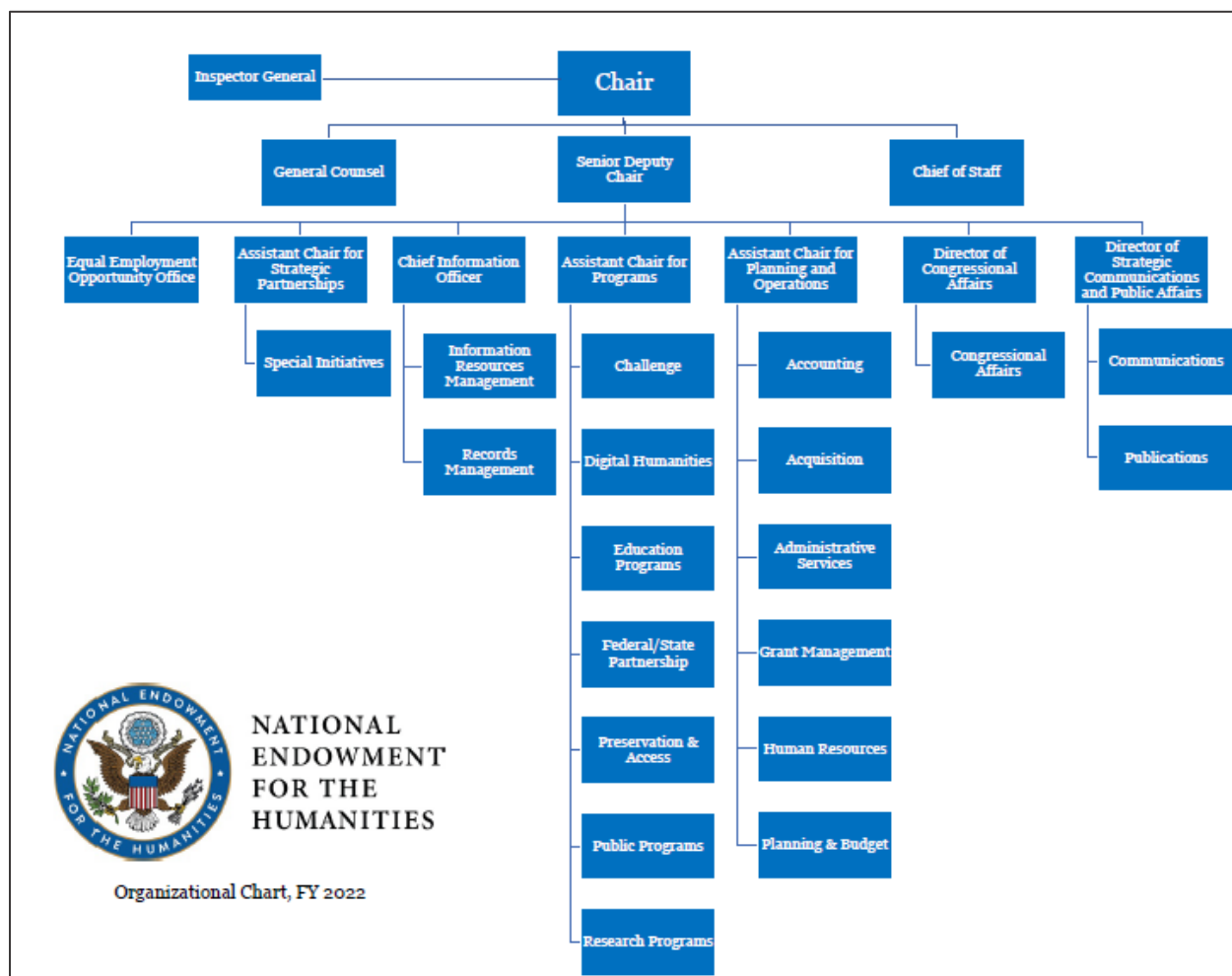
NEH is a consolidation entity of the federal financial reports of the U.S. Government; however, the presentation of information in this report is as its own entity. NEH is directed by a Chair, who is appointed by the President of the United States and confirmed by the U.S. Senate for a term of four years. President Biden announced the nomination of Ms. Shelly Lowe and was confirmed by the U.S. senate as twelfth Chair of the Endowment in February of 2022. Mr. Adam Wolfson had been serving as acting Chair prior to her official confirmation to ensure continuity of operations until the arrival of Chair Lowe. Mr. Anthony Mitchell was appointed as NEH’s new Senior Deputy Chair in August of 2022 and the first [HCBU](#) graduate to fill this role.

Advising the Endowment’s Chair is the National Council on the Humanities, a board of 26 distinguished private citizens who are appointed by the President and confirmed by the Senate. National Council members serve staggered six-year terms. The National Council on the Humanities meets at least twice annually to advise the NEH Chair. The Chair considers the advice provided by the review process and, by law, makes all funding decisions.

The agency’s programmatic operations are divided into divisions which conduct grant making on behalf of major agency programs and initiatives; A More Perfect Union, Federal/State Partnership, Public Programs, Preservation & Access, Research, Education Programs, Digital Humanities and Challenge Grants as further discussed in the Performance Section supported by various offices reflected in the organization chart below.

¹ FY2022-2026 NEH Strategic Plan

Organizational Chart



Organizational Summary

The A More Perfect Union is an agency wide initiative established in 2019, commemorating the upcoming 250th anniversary of the founding of the United States for the U.S. Semi-quincentennial in 2026. This initiative provides funding opportunities across the agency’s grantmaking divisions for humanities projects that promote a deeper understanding of American history and culture and that advance civic education and knowledge of our core principles of government

The Division of Federal State Partnership is the liaison between NEH and the nonprofit network of state and jurisdictional humanities councils providing general operating support awards to the states and jurisdictions to bring humanities education, lifelong learning, and public humanities programming to communities across the country. This partnership also serves to advance public understanding of the humanities, while enhancing public awareness of, access to, and support for the humanities on a local, grassroots level.

The Division of Public Programs supports a wide range of public humanities programming that reaches large and diverse public audiences and make use of a variety of formats. Supported projects include those that bring the ideas and insights of the humanities to life for general

audiences as well as interpret and analyze humanities content in primarily digital platforms and formats, such as websites, mobile applications and tours, interactive touch screens and kiosks, games, and virtual environments.

The Division of Preservation and Access supports projects aiming to preserve diverse formats of materials that are threatened by factors inherent in their physical structures or by the environments in which they are housed. This division also aim to support preserving cultural and heritage materials, making them available to scholars, teachers, and the general public, and to create a level of intellectual control sufficient to enable users to find and use the materials relevant to nation's cultural heritage and intellectual legacy that may be held in libraries, archives, and museums.

The Division of Research Programs supports scholarly research that advances knowledge and understanding of the humanities. Through twelve annual funding opportunities, awards are made to scholars—individuals, collaborative teams, or institutions—working on research projects of significance to specific humanities fields and to the humanities as a whole. It is the only division to make awards to individuals however institutional grant awards are also made under various other programs.

The Division of Education programs supports humanities education through programs aimed primarily at program and curriculum development and through professional development opportunities for K-12 and higher education faculty. Projects supported include intensive reading and discussion summer programs featuring recognized scholars, and several programs which support for broad institutional endeavors, creative, integrative, collaborative curricular projects at two- and four-year post-secondary institutions between various disciplines, and a veterans-centered program supporting institutions exploring experiences of war and military service through the examination of humanities texts and other resources.

The Office of Digital Humanities offers grant programs supporting project teams experimenting with digital technologies to develop new methodologies for humanities research, teaching and learning, public engagement, and scholarly communications. Projects supported include those studying digital technology from a humanistic perspective and humanists seeking to create digital publications, increasing capacity of the humanities in applying digital methods. The office also works closely with the scholarly community and other funding agencies in the United States and abroad, to encourage collaboration across national and disciplinary boundaries.

The Challenge Grant division aims to support institutions and organizations by strengthening institutional and organization capacity of humanities by preserving and providing access to collections, conducting scholarship and research, and developing educational programs for various audiences. Supported projects may also involve building and renovating structures such as museums and libraries, and updating the infrastructure that undergirds humanities work in its many forms.

Peer reviewers in the grant application review process represent a diversity of disciplinary, institutional, regional, and cultural backgrounds. They are experts in their respective fields with relevant knowledge and expertise in the types of project activities identified in the grant funding applications submitted to the agency. NEH instructs reviewers to evaluate applications according to the published review criteria and must comply with federal ethics and conflicts of interest requirements. NEH staff comment on fact or significant issues and makes recommendations to the National Council on the Humanities.

The Annual Performance Report is due in February of each fiscal year and will be available on the [agency website](#).

Performance Goals and Results

NEH's new strategic plan for fiscal years 2022 through 2026 is due to be published December of 2022. The goals and objectives are directly aligned with the newly developed strategic plan whereas the metrics and measures discussed in this report are based on previously established priorities and plans. The performance information presented in the performance section, though not directly linked to the financial statements or the newly drafted plan, provide a snapshot overview of awards made to support previously established goals.

NEH grant making programs and award cycles cross multiple fiscal years to realize full performance results, and thus the data presented may not represent the full scope of previously established programmatic activity and COVID-related initiatives. In fiscal year 2022, the agency established the Office of Data and Evaluation whose aim is to provide direct support to the agency in developing and implementation robust data evaluation, collection methods and infrastructure to better inform management and stakeholders of agency performance impacts through evidence-based insights.

As NEH matures and continues to implement its Enterprise Risk Management (ERM) framework program; the expanded scope of its implementation plans inclusive of a federally compliant strategic plan which will inform future years' associated metrics. The agency continues to be committed to presenting a robust evidence-based presentation of performance goal, objectives, metrics and results.

Financial Statements Overview & Analysis

The audited financial statements are prepared to report the financial position, financial conditions and results of operations of the National Endowment for the Humanities (Endowment), pursuant to the requirements of 31 U.S.C. § 3515(b). The financial statements are prepared from records of the agency in accordance with federal generally accepted accounting principles (GAAP) and Federal Accounting Standards Advisory Board (FASAB) as per the formats prescribed by OMB Circular A-136 "Financial Reporting Requirements". Reports used to monitor and control budgetary resources are prepared from the same records. The financial statements users should be advised the agency statements are a component of the U.S. Government. The following is a summary of the agency financial statements and Dollar amounts represent millions (M) unless otherwise stated.

The Endowment continued to provide emergency relief to organizations working in the humanities affected by the coronavirus pandemic through receipt of supplemental appropriations from the American Rescue Plan Act of 2021 as no year funding. NEH carried over \$60.1M from FY2021 with approximately \$512 thousand unobligated as of September 30, 2022. NEH carried over Coronavirus Aid, Relief, and Economic Security Act (CARES) supplemental appropriations of \$95 thousand from FY2021 to FY2022. This appropriation expired September 30, 2021.

Balance Sheet (BS)

The Balance Sheet presents the amounts of assets owned and the liabilities of NEH for the current fiscal year and prior fiscal year. Their difference determines the net position as of September 30, 2022.

Total assets are \$335M for FY2022. The most significant asset is the Fund Balance with the U.S. Treasury (FBWT) which represents grant funds to be disbursed in future years. For fiscal

years 2022 and 2021, FBWT amounts were \$328.9M and \$364.1M, respectively. The decrease is primarily due to receipt of the supplemental funding in the prior fiscal year as compared to no supplemental funding received in the current fiscal year.

Total liabilities are \$47.7M for FY2022. The majority of NEH's non-intragovernmental liability is due to the estimated grant liability (accrual). The accrual expense decreased to \$43.8M in the current year from \$48.9M in the prior year, primarily due to a revision accrual liability calculation methodology.

Statement of Budgetary Resources (SBR)

The Statement of Budgetary Resources displays how budgetary resources were made available to the Endowment and the status of resources at the end of the reporting period. NEH budgetary resources are derived primarily from no year funds appropriated by the U.S. Congress.

For fiscal years 2022 and 2021, budgetary resources were \$274.9M and \$340.5M, respectively. The decrease is primarily due to appropriations received from the ARP in 2021 as compared to 2022. NEH had increased net outlays to \$215.2M in 2022 from \$193M due to increased disbursements from supplemental appropriations received. Other information related to CARES Act and America Rescue Plan are disclosed in the footnotes of the financial statements.

Statement of Net Cost (SNC)

The Statement of Net Cost presents cost information by responsibility segment, namely, the program divisions within NEH, along with previously established initiatives. The net cost of operations represents gross cost incurred less any exchange revenue activity earned. Disclosures of gross and net cost provides information which correlate to program activity outputs. For fiscal years 2022 and 2021, net cost of operations was \$211.9M and \$199.6M respectively, due to increases in disbursements as related to supplemental funding received.

The reported performance goal metrics and measures used in this report are established in NEH's performance plan driven by the NEH Annual Performance Report to Congress, but not directly linked to the agency strategic plan or seamlessly linked with agency financial statements.

Statement of Changes in Net Position (SNCP)

The Statement of Changes in Net Position display the components of the unexpended appropriations and cumulative results of operations representative of comparative changes to balances. For fiscal years 2022 and 2021, net position was \$287.3M and \$317.6M, respectively. The decrease is primarily due to no supplemental funding received in the current year as compared to the prior year.

Analysis of Systems, Controls and Legal Compliance Management Assurances

National Endowment for the Humanities (NEH) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). NEH conducted its assessment of risk and internal control in accordance with OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control". Based on the results of the assessment, the agency can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2022.

Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with federal financial management system requirements, federal accounting standards and the United States General Ledger. NEH conducted its evaluation of financial management systems for compliance and based on assessment can provide reasonable assurance that financial management systems substantially comply with the FFMIA, Section 4. Detailed information is provided in the Other Accompanying Information section of this report.

There are no other component or subsidiary entities that are combined or consolidated for presentation in this document.

Enterprise Risk Management (ERM) was identified as an area for improvement during the agency's annual financial statement audit and OIG Management Challenges report as a repeat finding. The agency continues to mature its ERM governance framework and developed a detailed plan for implementation through the next several years.



Shelly C. Lowe (Navajo)
Chair

II. Performance Information

Introduction

The purpose of this section of is to present performance activity with the performance outcomes achieved during the current year. Goals and indicators noted are references to the NEH Strategic Plan FY2022 through FY2026. The performance goal metrics and measures presented in this report are established in NEH's annual performance plan and driven by the NEH Annual Performance Report to Congress, but not directly linked to the agency strategic plan or financial statements. As NEH works to fully implement Enterprise Risk Management, future performance metrics will result in closer alignment to budgetary resources, net costs, and to the agency strategic plan defined goals and objectives.

The results projected in the NEH Performance Plan and Annual Performance Report may occur over multiple years. The volume of applications received by NEH as compared to program and grant categories typically fluctuates from year to year. In addition, because grants are awarded through a highly competitive and necessarily contingent application review process, the numbers of grants awarded during a given year may differ significantly from the numbers of awards projected for the year.

Performance Goals and Objectives

The performance goals and objectives outlined in this section aligns directly with the agency strategic plan due to be published in December 2022. The agency continues to implement it's ERM framework which seeks to establish and further align its data and performance measures across multiple statutory reporting requirements. The information discussed here does not directly align to the performance metrics further discussed, indicators and measures described as well as and the financial statements but aims to provide insight on the agency current mission priorities.

Strategic Goals and Sub-Objectives

Strategic Goal 1: Preserve, advance, and expand awareness of the Humanities

NEH strives to present a forum in which the role of the humanities continues to expand its footprint. NEH recognizes its ongoing responsibility to ensure all peoples benefit from the expanded reach of what the humanities can and will provide to society, now and in the future.

Strategic Objective 1: Strengthen the Role and Institutional Base of the Humanities

- Provide national leadership in spurring innovation and encouraging best practices in the humanities
- Broaden participation in the humanities.
- Enhance preservation of and access to humanities resources

Strategic Objective 2: Strengthen the Nation's democracy through education and civic engagement

- Strengthen civics and humanities education and learning.

- Support investment in projects that examine threats to democracy.
- Provide increased opportunities for Americans to engage in lifelong learning in the humanities.

Strategic Objective 3: Increase Exploration of Impacts of Climate Change on the Nation’s Cultural Heritage

- Support climate resilience in the nation’s cultural and educational sectors.

Strategic Objective 4: Bolster NEH’s profile as a Research Agency

- Support robust humanities research.
- Increase collaboration with external partners on a variety of research and developmental opportunities.

Strategic Goal 2: Advance Equity and Support for Historically Underserved Communities

President Biden’s Executive Order on *Advanced Racial Equity and Support for Underserved Communities* (E.O. 13985) takes a “Whole-of-Government” approach to advance equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality. Executive Order 13985 has informed NEH equity planning efforts including putting a robust data collection system in place, enhancing its outreach, and branding strategies, and simplifying the grants application process.

Strategic Objective 1: Reduce barriers to NEH programs and funding

- Simplify the grant application processes.
- Embed a culture of program and funding accessibility.
- Develop communication strategies that promote NEH programs and funding opportunities to underserved communities.

Strategic Objective 2: Increase engagement with underserved communities.

- Provide greater assistance to small organizations and first-time applicants.
- Collaborate with entities to increase the agency’s engagement with underserved stakeholders.
- Increase collaborations with Tribal Nations, veterans, Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs), Tribal Colleges and Universities (TCUs), and community colleges.

Strategic Goal 3: Fortify the management of NEH Resources

NEH stakeholders contemplated how to best manage and carryout the agency mission within finite and limited resources (i.e., people, budget, etc.) and how to best allocate these resources. Planning and thought leadership are essential in bringing together ideas and best practices on effective and efficient operations. NEH recognizes the tremendous value each of our divisions and offices contribute to the accomplishment of our vision and mission and look capitalize these strengths nearly 60 years in the making as we move toward a future forward approach.

Strategic Objective 1: Increase NEH’s data collection capacity and scope

- Develop an agency data-driven framework for Agency funding and operations.
- Establish a data driven evidence-based culture to support decision making.

Strategic Objective 2: Expand NEH's procurement opportunities

- Attract, identify, and utilize partners from underserved communities.

Strategic Objective 3: Further integrate risk analysis into NEH's decision making process

- Integrate ERM into organizational culture, process, and decision making

Strategic Goal 4: Expand NEH's organizational capacity and capability

At NEH, organizational capacity is defined as our potential to ensure our growing and changing operations continue to be efficient, productive, and effective. NEH defines its assets from both a tangible perspective (i.e., financial and budgeting) and from an intangible perspective (i.e., institutional and thought knowledge, leadership, and internal and external relationships.) Capacity focuses on our potential, capability refers to existing and future personnel, ensuring tools are available to maximize roles and responsibilities at NEH.

Strategic Objective 1: Enhance cultivation of an inclusive and high performing workforce

- Continue to recruit, hire, and retain a diverse agency workforce.
- Expand NEH professional developmental opportunities.
- Support career paths for a diverse generation of humanities professionals.

Strategic Objective 2: Foster a culture of communication and collaboration

- Provide collaborative leadership training and development opportunities for managers and supervisors.
- Capitalize on working group efforts for cross-unit collaboration.

Strategic Objective 3: Modernize NEH's operational systems and processes

- Enhance integration of NEH systems and processes.
- Develop, monitor, and implement updated policies and procedures

Performance Metrics and Measures

The metrics and measures discussed below were part of an annual performance planning and report format which does not directly align to the strategic plan to be published in December 2022. As NEH continues to mature and implement its ERM framework and develop process maturity, the agency aims to provide direct correlation of new indicators to the newly drafted strategic goals and objectives. NEH aims to leverage its newly established Office of Data and Evaluation to ensure alignment across the agency's multiple statutory reporting requirements.

To facilitate basic research and original scholarship in the humanities.

The Endowment supports research by individual scholars; long-term, complex projects carried out by teams of scholars; and focused, individual projects that draw upon the collections and expertise of leading humanities institutions and overseas research centers. Support for humanities research is a long-term investment, and the full impact of NEH grants is often realized well after grant funds are spent. The awards made in FY 2022 will help to shape the understanding of scholars and the larger public for years to come.

Provide support for fellowships and stipends that enable scholars—both those affiliated with educational institutions and those working independently—to devote a concentrated period to research and writing on significant subjects in all fields of the humanities.

- Support was provided for 239 individual scholars to make significant progress on important humanities research projects through fellowships and stipends.

Support collaborative research projects on significant subjects in the humanities.

- Support was provided for 36 important long-term collaborative projects in the humanities such as scholarly editions, translations, archaeological excavations and analyses and other complex, large-scale undertakings. In addition, 33 previously awarded grants received ongoing support through NEH matching funds.

Encourage domestic and international scholarly collaboration in the humanities.

- Awards for 27 humanities fellowship programs at independent research institutions are supporting the work of 68 humanities scholars who are making significant contributions to scholarship in the humanities.

Encourage the use of digital technologies in scholarly research and the dissemination of research findings.

- Applicants in all Research programs were encouraged to harness the vast potential of advanced digital technology in the conduct and dissemination of their research.

Work in partnership with the National Science Foundation to support projects to record, document, and archive endangered languages worldwide, with a special emphasis on endangered Native American languages.

- 5 fellowship projects were supported through the Endowment's multi-year funding partnership with the National Science Foundation to provide awards to scholars engaged in recording and archiving key languages before they become extinct.

Support humanities scholarship and related course development by faculty at Historically Black Colleges and Universities, Hispanic-Serving Institutions, and Tribal Colleges and Universities.

- Support was provided to 25 individual scholars who teach at historically black colleges and universities, at Hispanic-serving institutions, and at tribal colleges and universities to make significant progress on important scholarly projects in the humanities through faculty research awards.

Strengthen teaching and learning in the humanities in elementary and secondary schools and institutions of higher education.

Provide professional development opportunities for teachers at all levels of the nation's educational system to renew and deepen their knowledge of the humanities.

- Support for 35 NEH summer institutes will enable 540 college teachers and 720 schoolteachers to revitalize their knowledge and teaching of the humanities. College teachers participating in seminars and institutes during the summer of

2023 will reach approximately 94,500 students annually; schoolteacher participants will reach approximately 90,000 annually.

The Landmarks of American History and Culture program is a place-based program at historic sites across the U.S. for K-12 educators.

- Support for 14 Landmarks of American History and Culture workshops to take place in the summer of 2023 will enable approximately 1,000 schoolteachers to revitalize their knowledge and teaching of American history and culture, particularly as it relates to the relationship between specific sites and the episodes in history, the writers, and/or the artists associated with that location. These teachers would annually reach approximately 126,000 students.

The Dialogues on the Experience of War program supports efforts to develop humanities resources and methods in teaching and learning at institutions of higher education and nonprofit organizations for veterans, active service members, and the general public.

- Support for 5 awards in the Dialogues on the Experience of War program, which is specifically concerned with veterans and active service members.

Strengthen efforts to enhance the availability and quality of humanities teaching and learning in the nation's community colleges, especially the study of diverse cultures and historical perspectives.

- Support for 2 Humanities Initiatives at Community Colleges projects to educate students on a variety of educational and career paths. This program funds curricular and faculty development projects that help strengthen humanities programs and/or incorporate humanistic approaches in fields outside the humanities.

Support efforts to increase the availability and strengthen the quality of humanities programs, curricula, resources, and teaching and learning in the nation's two- and four-year colleges and universities.

- Support for 18 Humanities Initiatives at Colleges and Universities projects in a program supporting two- and four-year colleges' and universities' commitment to educating students from a variety of backgrounds, ethnic, and racial groups who will pursue a range of educational and career paths.

Support efforts of faculty at Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges and Universities to deepen their knowledge in the humanities and strengthen their humanities offerings.

- Humanities Initiatives at Minority Serving Institutions provided 13 grants to support faculty professional development activities for improvement in humanities instruction, as well as other capacity building activities at these institutions.

Provide support and encouragement to two- and four-year institutions of higher education for the development of curricular innovations that address current challenges in the humanities.

- Support for 17 Humanities Connections Planning projects and 10 Humanities Connections Implementation projects to enable faculty at community colleges and colleges, and universities to forge links between the humanities and other fields in undergraduate education.

Support educational projects in the humanities that fall outside the Division's current programming.

- Support for a five-year cooperative agreement with the Teagle Foundation to revitalize the humanities in undergraduate education by linking the humanities to students' professional aspirations. The projected number of implementation awards per agreement is at least five per year. As of 2022, the agreement has funded a total of 21 implementation subawards, surpassing its goal of 20 awards for the lifespan of the agreement.

Develop and support NEH's EDSITEment web portal as a means of enriching online teaching and learning resources available to teachers, students, and parents.

- Support the development of materials and other forms of outreach in social studies, civics, and other humanities subjects to enhance NEH's 250th initiative on the Endowment's nationally recognized website for K-12 teachers seeking rich humanities resources on the Internet.

To preserve and increase the availability of cultural and intellectual resources essential to the American people.

Support is provided to preserve and create intellectual access to humanities collections and resources. Supported activities include digitizing collections; arranging and describing archival and manuscript collections; cataloging collections of printed works, photographs, recorded sound, moving image, art, and material culture; preservation reformatting; preserving and improving access to humanities resources in "born digital" form; creating research tools and reference works; and developing technical standards, best practices, and tools for preserving and enhancing access to humanities collections.

- 33 projects will preserve and/or provide access to 12,112 audio, video, and film recordings; 3,900 linear feet of archival documents; and 947,361 items of books, documents, and other print and photographic materials; and 39,874 works of art and artifacts.

Work in partnership with other institutions, such as the Library of Congress, to digitize and make more accessible historic U.S. newspapers, including newspapers printed in languages other than English. Decreases year over year show the project approaching completion resulting in less newspapers remaining to be digitized.

- Supported projects will digitize 1.2 million pages of microfilm pages of historic newspapers.

Support the creation of research tools and reference works of major importance to the humanities.

- Grants were made to 7 projects to begin or continue work on the preparation of dictionaries, atlases, encyclopedias, and databases central to knowledge and understanding of the humanities.

Work in partnership with the National Science Foundation to support projects to record, document, and archive endangered languages worldwide, with a special emphasis on endangered Native American languages.

- 3 projects were supported for the creation of tools—such as bilingual dictionaries, grammars, and text collections—that document languages threatened with extinction.

Support research that leads to new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.

- 6 projects are supporting the creation of new digital tools, technologies, national standards, best practices, and other methodologies for the preservation of collections and cultural resources.

Support the training of staff from the nation's cultural repositories in the appropriate procedures for preserving and enhancing access to humanities collections.

- 8 awards were made for state, regional and national education programs that are providing training for approximately 6,519 people in U.S. museums, libraries, archives, and historical organizations. 7 fellowships and internships will also be funded through these projects.

Provide support for basic preservation activities to small and mid-sized libraries, archives, museums, and historical organizations.

- Projects supported are assisting in preserving collections at 65 institutions in 30 states and territories. Approximately 42% of the awards would go to first-time NEH grantees.

Support incorporation of sustainable conservation measures that prolong the useful life of collections and promote institutional resilience in cultural heritage organizations.

- 13 awards are assisting with planning for and implementing sustainable preventive conservation measures.

To provide opportunities for Americans to engage in lifelong learning in the Humanities.

Support efforts by museums and historical organizations to produce interpretive exhibitions and educational materials that convey significant humanities themes and topics.

- 24 grants are supporting exhibitions, web-based programs, and other public education programs that will employ various delivery mechanisms at museums and historical organizations across the country.

Support substantive documentary films, radio programs, and online media presentations that advance public understanding of the humanities and promote citizen engagement in consideration of humanities issues and themes.

- 24 grants for television/radio projects will draw a cumulative audience of approximately 49 million people.

Support humanities projects that make creative use of new technologies to enhance the quality and reach of public humanities programming.

- 13 digital projects are producing online and mobile games and virtual environments, innovative interpretive websites, mobile applications, virtual tours, and other digital formats to engage citizens in thoughtful reflection on culture, identity, and history.

Maintain and strengthen partnerships with the state humanities councils.

Support state council efforts to develop locally initiated humanities programs for the people in each state.

Encourage high-quality, council-conducted humanities programs in the various states.

Encourage state humanities councils in their efforts to create and support humanities-rich websites and digital projects.

Support state humanities councils in ongoing collaborations with colleges and universities, museums, libraries, historical societies, and other institutions.

Recognize and encourage council activities that promote civil discussion, particularly of issues that divide Americans.

Provide a focal point for development of the digital humanities.

Provide national leadership in spurring innovation and best practices in the digital humanities.

- 33 Digital Humanities Advancement Grants will set the pace for innovation within humanities research. These projects would have a national and international impact on how new scholarship is conducted.

Strengthen the institutional base of the humanities through financial incentives provided by matching challenge grants.

Encourage efforts of cultural and educational institutions to attract and increase nonfederal contributions to their humanities resources and activities.

- By FY 2027, 35 NEH Challenge Grants awarded in FY 2022 will leverage at least an expected \$50 million of nonfederal donations to recipient institutions in support of their humanities activities.

Support infrastructure projects at humanities organizations to sustain their activities in the long term.

- Infrastructure and Capacity Building Challenge Grants will construct, renovate, expand, and enhance facilities.

Support the efforts of cultural and educational institutions to maintain scholarly digital humanities resources in the long term.

- 4 Infrastructure and Capacity Building Challenge Grants will maintain and improve scholarly digital humanities resources and increase access to users.

Stimulate third-party support for humanities projects and programs.

Encourage and support efforts of educational and cultural organizations to secure nonfederal sources of funding in support of humanities projects and programs.

- Fund-raising by recipients of an NEH matching award generated more than \$2.4 million in third-party support for humanities projects.

Leverage the private sector contributions of the nation's businesses, foundations, and philanthropic-minded individuals on behalf of humanities projects and programs.

- NEH partnerships with the private sector will generate support for exemplary activities in the humanities. As a condition of their award, recipients of an NEH matching or Challenge grant must provide this agency regular reports as to the progress of their fund-raising efforts. As well, NEH collaborates closely with its partner organizations in public/private efforts such as those described below. The terms of this information sharing relationship are stipulated in a formal cooperative agreement.

III. Financial Information

A Message from the Director, Office of Accounting

On behalf of the National Endowment for the Humanities (Endowment), I present the agency's audited financial statements for fiscal year 2022. The independent auditor has rendered an unmodified (clean) opinion on the agency financial statements. The Endowment has obtained an unmodified opinion on the agency's financial statements for the sixteenth consecutive year, indicating the Endowment's commitment to the careful stewardship of the taxpayer dollars.

The Office of Accounting continues faces significant challenges in the federal accounting environment to ensure further alignment with future U.S. Department of Treasury strategic and federal reporting compliance initiatives. The development of requirements and plans to improve processes and streamline the delivery of information to agency stakeholders has continued to be a primary focus. During this reporting period, we continued work to implement digital solutions for agency processes and focused on finalizing long term planning to implement internal and external strategic initiatives.

In fiscal year 2022 we finalized the accounting operations strategy to further improve and streamline operations and reporting. Further alignment with strategic planning and Enterprise Risk Management implementation efforts are currently being developed assisting in finalizing measurable long-term goals. We continue to mature the inclusion of risk-based approaches and corrective actions to strengthen internal controls, enhance customer-facing services and engage agency culture in the accounting driven stewardship activities of taxpayer funding.

The contribution and efforts of the Accounting Staff and all NEH colleagues to receiving an unmodified opinion verifies that the Endowment's financial statements are fairly presented and demonstrates steadfast commitment to responsible execution of fiduciary responsibilities.



Cora Shepherd

Audited Financial Statements Fiscal Year 2022



NATIONAL
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BALANCE SHEETS
As of September 30, 2022 and 2021
(in US Dollars)

ASSETS

Intragovernmental:

	<u>2022</u>	<u>2021</u>
Fund Balance with Treasury (Note 2)	\$ 328,894,834	\$ 364,129,196
Receivables, Net (Note 3)	2,472	-
Advances and Prepayments (Note 15)	2,787,973	2,930,156
Total intragovernmental	<u>331,685,279</u>	<u>367,059,352</u>

Other than Intragovernmental:

Receivables, Net (Note 3)	208,690	144,270
Property and equipment, net (Note 4)	510,278	481,570
Advances and Prepayments (Note 15)	2,669,506	2,866,826
Total other than intragovernmental	<u>3,388,474</u>	<u>3,492,666</u>

TOTAL ASSETS

335,073,753 370,552,018

LIABILITIES

Intragovernmental:

Advances from Others and Deferred Revenue (Note 15)	75,774	137,053
Other Liabilities (Note 6)		
Other current liabilities - Benefit contributions payable	311,210	291,633
Total intragovernmental	<u>386,984</u>	<u>428,686</u>

Other than Intragovernmental:

Accounts Payable	147,640	503,011
Federal Employee and veteran benefits payable (Note 6)	2,029,659	2,004,271
Other Liabilities (Note 6)		
Accrued Grant Liabilities (Note 14)	43,874,670	48,880,633
Other	1,307,660	1,177,389
Total other than intragovernmental	<u>47,359,629</u>	<u>52,565,304</u>

TOTAL LIABILITIES

47,746,613 52,993,990

NET POSITION

Unexpended appropriations - funds other than those from dedicated collections	288,007,773	318,172,624
Total unexpended appropriations	<u>288,007,773</u>	<u>318,172,624</u>

Cumulative results operations - funds from dedicated collections	764,055	842,733
Cumulative results operations - funds other than those from dedicated collections	(1,444,688)	(1,457,330)
Total cumulative results of operations	<u>(680,633)</u>	<u>(614,597)</u>

TOTAL NET POSITION

287,327,140 317,558,027

TOTAL LIABILITIES AND NET POSITION

\$ 335,073,753 \$ 370,552,017

The accompanying notes are an integral part of these statements.



NATIONAL
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STATEMENTS OF BUDGETARY RESOURCES
As of September 30, 2022 and 2021
(in US Dollars)

	<u>2022</u>	<u>2021</u>
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net	\$ 93,440,079	\$ 36,902,507
Appropriations (discretionary and mandatory)	180,335,507	302,535,428
Spending authority from offsetting collections (discretionary and mandatory)	<u>1,209,057</u>	<u>1,082,617</u>
Total budgetary resources	<u><u>274,984,643</u></u>	<u><u>340,520,552</u></u>
Status of Budgetary Resources		
New obligations and upward adjustments (total)	233,112,784	251,345,593
Unobligated balance, end of year:		
Apportioned, unexpired accounts	40,527,330	88,618,459
Unapportioned, unexpired accounts	<u>1,199,850</u>	<u>556,501</u>
Unexpired unobligated balance, end of year	<u>41,727,180</u>	<u>89,174,960</u>
Expired unobligated balance, end of year	144,679	-
Unobligated balance, end of year (total)	<u>41,871,859</u>	<u>89,174,960</u>
Total budgetary resources	<u><u>274,984,643</u></u>	<u><u>340,520,553</u></u>
Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	215,569,869	193,122,530
Distributed offsetting receipts (-)	(357,072)	(83,048)
Agency outlays, net (discretionary and mandatory)	<u>215,212,797</u>	<u>193,039,482</u>
Disbursements, net (total) (mandatory)	<u><u>\$ 61,214,852</u></u>	<u><u>\$ 14,965,366</u></u>

The accompanying notes are an integral part of these statements.



NATIONAL
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STATEMENTS OF NET COST
As of September 30, 2022 and 2021
(in US Dollars)

	<u>2022</u>	<u>2021</u>
PROGRAM COSTS (Notes 1 & 12)		
GROSS PROGRAM COSTS		
Gross costs	\$ 213,010,399	\$ 201,284,628
Less: earned revenue	(1,043,923)	(1,602,022)
Net program costs	211,966,476	199,682,606
A More Perfect Union		
Gross costs	4,746,028	2,069,014
Less: earned revenue	(12,492)	(5,090)
Net costs	4,733,536	2,063,924
Challenge Grants		
Gross costs	6,700,890	5,747,214
Less: earned revenue	(17,386)	(14,052)
Net costs	6,683,504	5,733,162
Digital Humanities		
Gross costs	9,297,261	8,838,624
Less: earned revenue	(268,972)	(396,069)
Net costs	9,028,289	8,442,555
Education		
Gross costs	22,662,704	20,708,309
Less: earned revenue	(58,974)	(501,992)
Net costs	22,603,730	20,206,317
Federal/State Partnership		
Gross costs	87,380,447	81,484,262
Less: earned revenue	(229,740)	(200,238)
Net costs	87,150,707	81,284,024
Preservation and Access		
Gross costs	24,328,175	25,857,855
Less: earned revenue	(63,430)	(63,078)
Net costs	24,264,745	25,794,777
Program Development		
Gross costs	302,279	91,722
Less: earned revenue	(796)	(226)
Net costs	301,483	91,496
Public		
Gross costs	19,863,015	27,999,969
Less: earned revenue	(51,601)	(68,283)
Net costs	19,811,414	27,931,686
Research		
Gross costs	36,137,848	26,392,277
Less: earned revenue	(336,342)	(347,839)
Net costs	35,801,506	26,044,438
Treasury Funds		
Gross costs	1,502,558	1,959,160
Less: earned revenue	(3,955)	(4,820)
Net costs	1,498,603	1,954,340
Special Initiatives*		
Gross costs	89,194	136,222
Less: earned revenue	(235)	(335)
Net costs	88,959	135,887
NET COST OF OPERATIONS	\$ 211,966,476	\$ 199,682,606

The accompanying notes are an integral part of these statements.

* Special Initiatives comprises Bridging Cultures, Common Good, and We the People programs.



NATIONAL
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STATEMENTS OF CHANGES IN NET POSITION
As of September 30, 2022 and 2021
(in US Dollars)

	2022			2021		
	Funds from Dedicated Collections (Note 8)	Funds from Other than Dedicated Collections	Total	Funds from Dedicated Collections (Note 8)	Funds from Other than Dedicated Collections	Total
<u>UNEXPENDED APPROPRIATIONS:</u>						
Beginning balances	\$ -	\$ 318,172,624	\$ 318,172,624	\$ -	\$ 213,630,343	\$ 213,630,343
Beginning balances, as adjusted	-	318,172,624	318,172,624	-	213,630,343	213,630,343
Appropriations received	-	180,000,000	180,000,000	-	302,500,000	302,500,000
Appropriations used	-	(210,164,851)	(210,164,851)	-	(197,957,719)	(197,957,719)
Net Change in Unexpended Appropriations	-	(30,164,851)	(30,164,851)	-	104,542,281	104,542,281
Total Unexpended Appropriations	-	288,007,773	288,007,773	-	318,172,624	318,172,624
<u>CUMULATIVE RESULTS OF OPERATIONS:</u>						
Beginning balances	842,733	(1,457,330)	(614,597)	1,011,034	(1,222,512)	(211,478)
Beginning balances, as adjusted	842,733	(1,457,330)	(614,597)	1,011,034	(1,222,512)	(211,478)
Appropriations used	-	210,164,851	210,164,851	-	197,957,719	197,957,719
Donations	335,507	-	335,507	35,428	-	35,428
Imputed financing	-	1,400,082	1,400,082	-	1,286,767	1,286,767
Net cost of operations (Note 12)	(414,185)	(211,552,291)	(211,966,476)	(203,729)	(199,479,305)	(199,683,034)
Net change in cumulative results of operations	(78,678)	12,642	(66,036)	(168,301)	(234,819)	(403,120)
Total Cumulative Results of Operations	764,055	(1,444,688)	(680,633)	842,733	(1,457,331)	(614,598)
<u>NET POSITION</u>	\$ 764,055	\$ 286,563,085	\$ 287,327,140	\$ 842,733	\$ 316,715,293	\$ 317,558,026

Eliminations represent zero balances in FY 2022 and 2021 for all lines
The accompanying notes are an integral part of these statements.



NATIONAL
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Notes to the Financial Statements

As of and for the Period Ended
September 30, 2022 and 2021
(In Dollars)

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Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

The following Notes include the disclosure requirements contained in the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements" and the Federal Accounting Standards Advisory Board (FASAB) "Statements of Federal Financial Accounting Standards" (SFFAS).

Note 1 – Significant Accounting Policies

A. Reporting Entity

The National Endowment for the Humanities (NEH) was established as an independent agency by the National Foundation on the Arts and the Humanities Act of 1965 and is the largest funder of programs supporting cultural institutions, research and public programs in the humanities. NEH financial statements are defined as a component entity of the U.S. Government therefore some assets and liabilities reported may be eliminated for government-wide reporting due to offsets by other government entities.

B. Basis of Presentation and Accounting

The audited financial statements are generated to meet the requirements of the Government Management Reform Act 1994 and Accountability of Tax Dollars Act of 2002. The statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, and related footnotes and disclosures.

NEH performs accrual based accounting in alignment with federal budget and reporting cycles as a consolidation entity included in the governmentwide financial statements as per SFFAS 47 Reporting Entity. Revenues are recognized when earned, and expenses are recognized when liabilities are incurred. Congress provides budgetary authority to NEH through appropriations to incur obligations in support of agency programs.

C. Significant Changes to Accounting Policy

NEH revised its methodology in fiscal year (FY) 2022 for estimating its grant liability accrual. See Note 14: Grant Accrual Liability.

D. Fund Balance with Treasury (FBWT) and Funds from Dedicated Collections

Funds balances with the Department of the Treasury is an asset of NEH, a liability of the General Fund and primarily represent appropriated funds available to incur obligations and finance disbursements. See Note 2, Fund Balance with Treasury and Note 8, Funds from Dedicated Collections, for additional information.

E. Revenues and Other Financing Sources

NEH receives funding through annual Congressional appropriations from the budget of the United States under a no year appropriation, a multi-year appropriation from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Public Law 116-136, enacted on March 27, 2020, and the no year American Rescue Plan (ARP) Public Law 117-2, enacted on March 11, 2021.

Appropriations are recognized as revenues when the warrant is received and expended as program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are recognized as expenses when assets are consumed in operations. The multi-year appropriation for COVID-19 emergency response funds is used for grant programs only.

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(In Dollars)

NEH was founded with the authority to receive donations and to invest in interest-bearing accounts. Accounts are maintained for restricted and unrestricted funding and observes federal guidelines for the appropriate use and apportionment of donated funds. This authority also allows the Chair to incur representation and reception expenses. NEH also earns revenue by providing cost sharing or reimbursable services to other Federal agencies through interagency agreements.

NEH sets prices to recover the full costs incurred unless otherwise noted in the interagency agreement when providing goods and services.

F. Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law.

The following budget terms are commonly used:

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting collections mean payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting receipts mean payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligation means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending. Net outlays are derived by reducing gross outlays by actual offsetting collections.

For further information about budget terms and concepts, see the "Budget Concepts" chapter of the *Analytical Perspectives* volume of the President's Budget: [Analytical Perspectives | The White House](#).

G. Advances and Prepayments

The Endowment's payments to other Federal agencies are recorded as an advance when funds are disbursed prior to expenditure. As work is performed, the expenditures or revenues are reported by the trading partner, at which time the advance is reduced, and the expense/revenue is recognized. Advances to the public, are payments to grantees while work is being performed. See Note 15: Advances and Prepayments.

H. General Property, Plant, and Equipment

NEH policy is to depreciate property, plant, and equipment over the estimated useful life of the asset. The capitalization threshold is \$50,000 for individual purchases and \$50,000 for bulk purchases with a minimum of \$10,000 per item. The capitalization threshold for leasehold improvements is \$50,000 for individual items with a useful life of two years or more. The capitalization threshold for internal use software is \$250,000 or above for aggregate costs. Additional information is provided in Note 4: General Property, Plant and Equipment, Net.

I. Liabilities

Liabilities represent transactions or events which have occurred for which NEH will likely pay since no absolute certainty exists that appropriations will be enacted and can be rescinded by the Government acting in its sovereign capacity. For additional information, see Note 5: Liabilities not Covered by Budgetary Resources, and Note 6: Other Liabilities.

J. Accounts Payable

Accounts payable consists of amounts owed to grantees and commercial vendors. Accounts payable to commercial vendors are expenses for goods and services received but not yet paid by NEH.

K. Accounts Receivable

NEH uses the specific identification method to recognize an allowance for uncollectible accounts receivable and related bad debt expenses.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and reduced as leave is used. Annually, accrued leave balances are adjusted to reflect changes in current rates and balances figures. If current appropriations are not available to fund annual leave earned but not used, funding will be obtained from future financing sources. Sick leave and other types are expensed as used.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. Total accrued payroll is composed of amounts to be paid to employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

M. Pension and Other Imputed Benefit Costs

Pension and other benefits (life insurance, and health care) expense are recognized at the time the employees' services are rendered. The expense is equal to the actuarial present value of benefits attributed by the pension plan's benefit formula, less the amount contributed by the employees. An imputed cost is recognized for the difference between the expense and contributions made by and for employees.

NEH reports imputed benefit costs on Life Insurance, Health Insurance, and Retirement. The Office of Personnel Management (OPM) supplies cost factors that are applied to the Agency's records.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

The Thrift Savings Plan (TSP) is a tax-deferred retirement savings and investment plan that offers Federal employees the same type of savings and tax benefits that many corporations offer their employees under 401(k) plans. By participating in the TSP, federal employees have the opportunity to save part of their income for retirement, receive matching agency contributions, and reduce their current taxes. For employees under FERS, the NEH contributes an amount equal to one percent of the employee's basic pay to the TSP and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of their gross earnings to the plan up to Internal Revenue Service limits; however, CSRS employees receive no matching agency contributions.

N. Federal Employees' Compensation Act (FECA) Actuarial Liability

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, medical, and miscellaneous costs for approved compensation cases.

O. Use of Estimates

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

The preparation of financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

P. Commitments and Contingencies

The NEH records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated. There were no contingent liabilities as of September 30, 2022.

Q. Rounding

Some totals and amounts reflected on the financial statements and notes may differ due to rounding.

R. Suborganization Program Costs

Program Grants – The Statement of Net Costs presents costs associated with specific NEH program divisions. The amounts shown represent both programmatic and administrative gross costs less earned revenue for each program office. Special initiative costs are not assigned to a specific program office and are further explained below.

Matching Grants - Challenge and Treasury Fund Grants are matching awards entailing an offer of NEH funding conditioned on a recipient raising an equivalent amount of funds in ratios from one-to-one and up to one-to-four matching “gifts” in support of humanities projects. These non-federal donations are a mechanism for leveraging the contributions of businesses, foundations, and individuals.

A More Perfect Union – An agency wide initiative established in 2019, commemorating the upcoming 250th anniversary of the founding of the United States for the U.S. Semi-quincentennial in 2026. This provides funding across all the agency’s grantmaking divisions for humanities projects that promote a deeper understanding of American history and culture and that advance civic education and knowledge of our core principles of government

Special Initiatives – Comprises three programs: Bridging Cultures, Common Good, and We the People. These provide funding across all the agency’s grantmaking divisions and were consolidated on the Statement of Net Costs for formatting purposes.

S. Reconciliation of Net Costs to Net Outlays (Budget to Accrual Reconciliation)

The purpose of the reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, is to provide an explanation of the relationship between budgetary and financial accounting information. The Note 12: Reconciliation of Net Cost to Net Outlays illustrates the reconciliation by listing key differences between Net Cost and Net Outlays.

Net Cost of Operations is derived from the Statement of Net Cost.

Components of net cost that are not part of net outlays are most commonly (a) the result of allocating assets to expenses over more than one reporting period (e.g., depreciation) and the write-down of assets (due to revaluations), (b) the temporary timing differences between outlays/receipts

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

and the operating expense/revenue during the period, and (c) costs financed by other entities (imputed inter-entity costs).

Components of net outlays that are not part of net cost are primarily amounts provided in the current reporting period that fund costs incurred in prior years and amounts incurred for goods or services that have been capitalized on the balance sheet (e.g., plant, property and equipment acquisition and inventory acquisition).

Net Outlays is the summation of the above amounts and equals the Statement of Budgetary Resources net outlays amount.

Note 2 – Fund Balance with Treasury

	<u>2022</u>	<u>2021</u>
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	\$ 40,527,330	\$ 88,618,459
Unobligated Balance - Unavailable	1,344,529	556,501
Unfilled customer orders without advance	(954,213)	(744,853)
Receivables from federal sources	(2,472)	-
Obligated Balance not yet Disbursed	<u>287,979,660</u>	<u>275,699,088</u>
Total	<u>\$328,894,834</u>	<u>\$ 364,129,195</u>

Fund Balance with Treasury is the aggregate amount of NEH's accounts with the U.S. Treasury from which NEH is authorized to incur obligations and make expenditures to pay liabilities. The trust fund includes amounts donated to NEH, some which are restricted for specific purposes. There are no differences between NEH's ledger accounts and FBWT reported amounts.

*See Note 1e and 13 as related to CARES Act and American Rescue Plan.

Note 3 – Accounts Receivable

NEH uses a specific method to recognize allowance for uncollectable account. All receivables are reported at net cost and expected to be collected when due with no allowance for doubtful account needed.

	<u>2022</u>	<u>2021</u>
Receivables from services to federal agencies	2,472	-
Receivables from the public	208,690	144,270
Total Receivables	<u>\$ 211,162</u>	<u>\$ 144,270</u>

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 4 – General Property, Plant, and Equipment, Net

Property, plant, and equipment, net, consists of the following:

2022

Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	10 years/Straight	\$ 168,722	\$ (139,196)	\$ 29,526
Office Equipment	5 years/Straight	295,541	(284,418)	11,123
Software - Internal Use	3 years/Straight	2,971,461	(2,818,342)	153,119
Software - In Development	Not Applicable	316,510	-	316,510
Total Property, Plant, & Equipment		\$ 3,752,234	\$ (3,241,956)	\$ 510,278

2021

Major Class	Service Life and Method	Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	10 years/Straight	\$ 168,722	\$ (122,324)	\$ 46,398
Office Equipment	5 years/Straight	295,541	(248,861)	46,680
Software - Internal Use	3 years/Straight	2,928,233	(2,636,683)	291,550
Software - In Development	Not Applicable	96,941	-	96,941
Total Property, Plant, & Equipment		\$ 3,489,437	\$ (3,007,868)	\$ 481,569

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 5 – Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources represent liabilities requiring future Congressional appropriation to pay. Liabilities not requiring budgetary resources represent custodial collections due to the General Fund of the U.S. Treasury and are not available for agency use.

	<u>2022</u>	<u>2021</u>
Intragovernmental		
Accrued unfunded FECA	\$ 50,995	\$ 50,437
Total intragovernmental	50,995	50,437
Actuarial FECA	305,760	299,442
Accrued unfunded leave	<u>1,723,899</u>	<u>1,704,829</u>
Total liabilities not covered by budgetary resources	2,080,654	2,054,708
Total liabilities covered by budgetary resources	45,665,959	50,939,282
Total Liabilities	<u>\$ 47,746,613</u>	<u>\$ 52,993,990</u>

*See Note 1e and 13 as related to CARES Act and American Rescue Plan.

Note 6 – Other Liabilities

	<u>2022</u>	<u>2021</u>
Intragovernmental:		
Other current liabilities - Benefit contributions payable	\$ 311,210	\$ 291,633
Total Intragovernmental	311,210	291,633
Other than Intragovernmental:		
Accrued funded payroll	1,280,161	1,177,389
Actuarial FECA liability	305,760	299,442
Accrued unfunded leave	1,723,899	1,704,829
Grant accrual liability	43,874,670	48,880,633
Accounts payable accrual, liability	<u>27,499</u>	-
Total Liabilities Other than Intragovernmental	47,211,989	52,062,293
Total Liabilities	<u>\$ 47,523,199</u>	<u>\$ 52,353,926</u>

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 7 – Leases

The NEH occupies office space in the Constitution Center Building at 400 7th Street in the District of Columbia. The occupancy agreement with the General Services Administration (GSA) is accounted for as a non-cancellable operating lease. The current lease agreement expires in 2027. The estimate for the annual lease costs for future fiscal years are as follows:

<u>Future fiscal year payments due:</u>	
FY 2023	3,120,140
FY 2024 through February 2024*	1,284,920
FY 2024 March -September 2024**	1,865,572
FY 2025	3,225,902
FY 2026	3,264,108
FY 2027 through February 2027***	1,352,028
Total Future Lease Payments	<u>\$ 14,112,670</u>

* Initial agreement expires in February 2024

** Extension of the Term From March 2024 to February 2027

*** Extension expires 2027

Note 8 – Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes are accounted for separately from the government's general revenues.

There are two types of donations accepted by the Endowment: unrestricted and restricted gifts. An unrestricted gift is made to the Endowment with no limitations on how the gift is to be used whereas restricted gifts explicitly state how the gift is to be used.

Pursuant to authority set forth in its authorizing statute, the NEH is authorized to solicit, accept and invest money and other property donated to the agency and authorizes the Chair of the NEH, with the recommendation of the National Council on the Humanities, to "receive money and other property donated, bequeathed, or devised to [the] Endowment with or without condition or restriction." Donated funds must be used for a purpose consistent with the agency's mission and authorizing legislation. Eliminations represent zero balances in FY 2022 and 2021 for all lines.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 8 – Funds from Dedicated Collections – (continued)

Balance Sheet, as of September 30th	2022		2021	
	Funds from Dedicated Collections	Total Funds from	Funds from Dedicated Collections	Total Funds from
Intragovernmental Assets				
Fund Balance with Treasury	\$ 702,717	\$ 702,717	\$ 889,247	\$ 889,247
Other Assets	-	-	-	-
Total Intragovernmental Assets	702,717	702,717	889,247	889,247
Other than Intragovernmental Assets				
Other Assets	81,548	81,548	26,096	26,096
Total Other than Intragovernmental Assets	81,548	81,548	26,096	26,096
Other than Intragovernmental Liabilities				
Other Liabilities	20,210	20,210	72,610	72,610
Total Other than Intragovernmental Liabilities	20,210	20,210	72,610	72,610
Cumulative Results of Operations	764,055	764,055	842,733	842,733
Total Liabilities and Net Position	784,265	784,265	915,343	915,343
Statement of Net Cost, for the year ended September 30th				
Gross Program Costs	414,185	414,185	203,729	203,729
Less Earned Revenues	-	-	-	-
Net Program Costs	414,185	414,185	203,729	203,729
Costs not Attributable to Program Costs	-	-	-	-
Less Earned Revenues not Attributable to Program Costs	-	-	-	-
Net Cost of Operations	414,185	414,185	203,729	203,729
Statement of Changes in Net Position, for the year ended September 30th				
Net Position, Beginning of Period	842,733	842,733	1,011,034	1,011,034
Non-Exchange Revenue	335,507	335,507	35,428	35,428
Other Financing Sources	-	-	-	-
Net Cost of Operations	414,185	414,185	203,729	203,729
Change in Net Position	(78,678)	(78,678)	(168,301)	(168,301)
Net Position, End of Period	\$ 764,055	\$ 764,055	\$ 842,733	\$ 842,733

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 9 – Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by NEH are recognized as imputed costs in the Statement of Net Cost, and are offset by imputed revenue in the Statement of Changes in Net Position. NEH imputed costs and revenues represent employee benefits and the agency does not have unreimbursed costs of goods and services other than imputed.

Note 10 – Statement of Budgetary Resources

Undelivered Orders at the End of the Period

On the Statement of Budgetary Resources, the obligated balance, net, end of period includes the following:

	<u>2022</u>	<u>2021</u>
Federal Undelivered Orders:		
Unpaid	\$ 1,436,106	\$ 889,785
Paid	<u>2,787,973</u>	<u>2,930,156</u>
Total Federal Undelivered Orders	4,224,079	3,819,941
Non-Federal Undelivered Orders:		
Unpaid	240,953,368	224,007,075
Paid	<u>2,669,506</u>	<u>2,866,826</u>
Total Non-Federal Undelivered Orders	243,622,874	226,873,901
Total, Undelivered Orders at the End of the Period	<u>\$ 247,846,953</u>	<u>\$ 230,693,842</u>

Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The President's Budget, which includes actual numbers for fiscal year 2022, has not been published. Actual numbers for fiscal year 2022 will be included in the President's Budget for fiscal year 2024, which will be published in February of 2023 at [President's Budget - OMB - The White House](#).

There are no material differences in amounts reported in the FY 2021 Statement of Budgetary Resources and actual amounts reported in the Budget of the United States Government.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 11 – Incidental Custodial Collections

NEH collects funds, such as program income generated from NEH-funded projects, on behalf of the federal government. These collections, called custodial collections, are not available for NEH use and must be returned to the U.S. Treasury at the end of the fiscal year.

	<u>2022</u>	<u>2021</u>
Collections for NEH projects funded in previous years	\$ 21,565	\$ 47,620
Total cash collections	21,565	47,620
Disposition of collections:		
Return to Treasury (general fund)	21,565	47,620
Net custodial collection activity	<u>\$ -</u>	<u>\$ -</u>

Notes to the Financial Statements
As of and for the Period Ended
September 30, 2022 and 2021
(In Dollars)

Note 12 – Reconciliation of Net Cost to Net Outlays

	2022			2021		
	Intra- governmental	Other than Intra- governmental	Total	Intra- governmental	Other than Intra- governmental	Total
Net Operating Cost (SNC)	\$ 10,232,798	\$ 201,733,679	\$ 211,966,477	\$ 8,720,036	\$ 190,962,570	\$ 199,682,606
Components of Net Operating Cost Not Part of the Budgetary Outlays						
Property, plant, and equipment depreciation	-	(234,089)	(234,089)	-	(387,860)	(387,860)
Other	-	262,797	262,797	-	140,529	140,529
Increase/(Decrease) in assets:						
Accounts receivable	2,472	64,420	66,892	-	17,030	17,030
Other assets	(142,183)	(197,320)	(339,503)	1,700,252	1,267,164	2,967,416
(Increase)/Decrease in liabilities not affecting Budget Outlays						
Accounts payable	61,280	355,371	416,651	506,695	(279,905)	226,790
Salaries and benefits	(19,020)	(102,772)	(121,792)	(61,286)	(254,414)	(315,700)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	(557)	4,953,075	4,952,518	(1,111)	(7,920,829)	(7,921,940)
Other financing sources						
Federal employee retirement benefit costs paid by OPM and imputed to agency	(1,400,082)	-	(1,400,082)	(1,286,767)	-	(1,286,767)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(1,498,090)	5,101,482	3,603,392	857,783	(7,418,285)	(6,560,502)
Components of the Budget Outlays That Are Not Part of Net Operating Cost						
Other	(21,565)	(335,507)	(357,072)	(47,620)	(35,428)	(83,048)
<i>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</i>	(21,565)	(335,507)	(357,072)	(47,620)	(35,428)	(83,048)
Net Outlays	<u>\$ 8,713,143</u>	<u>\$ 206,499,654</u>	<u>\$ 215,212,797</u>	<u>\$ 9,530,199</u>	<u>\$ 183,508,857</u>	<u>\$ 193,039,056</u>
Related Amounts on the Statement of Budgetary Resources						
Outlays, net			215,569,869			193,122,530
Distributed offsetting receipts			(357,072)			(83,048)
Agency Outlays, Net			<u>\$ 215,212,797</u>			<u>\$ 193,039,482</u>

*See Note 1S: Reconciliation of Net Costs to Net Outlays

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 13 – COVID-19 Activity

The table below represents the status of resources from supplemental appropriations received from the Coronavirus Aid, Relief and Economic Security Act (CARES Act) Public Law 116-136, enacted on March 27, 2020 and the American Rescue Plan (ARP) Public Law 117-2, enacted on March 11 2021. CARES Act appropriations expired September 30, 2021.

	CARES Act 2022	CARES Act 2021	American Rescue Plan 2022	American Rescue Plan 2021
Budgetary Resources				
Appropriation	\$ -	\$ -	\$ -	\$ 135,000,000
Balance Brought Forward Oct 1	95,754	7,429,420	60,075,984	-
Unobligated Balance	<u>48,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carry Forward and Unobligated Balances, Net	144,679	7,429,420	60,075,984	-
 Budgetary Resources Used				
Programs or Activities Funded				
Chair's Grants	-	-	(83)	-
Challenge Grants	-	-	-	(2,500)
Digital Humanities	-	(160,173)	(6,678,565)	(3,750)
Education	-	137,990.00	(14,546,743)	(9,750)
Federal/State Partnership	-	-	-	(52,615,000)
Preservation and Access	-	(9,296)	(13,447,857)	(7,000)
Public Programs	-	(11,713)	(13,029,466)	(7,250)
Research	-	(7,290,473)	(11,190,774)	(21,493,758)
Administrative*	<u>-</u>	<u>-</u>	<u>(670,333)</u>	<u>(785,008)</u>
Total Budgetary Resources Used	<u>-</u>	<u>(7,333,665)</u>	<u>(59,563,821)</u>	<u>(74,924,016)</u>
 Unobligated Balance	 <u>\$ 144,679</u>	 <u>\$ 95,754</u>	 <u>\$ 512,163</u>	 <u>\$ 60,075,984</u>

*Administrative costs were not a part of the CARES Act appropriation. ARP administrative costs comprised payroll and information technology support expenses

** This note impacts notes 2 and 5

*** Comparative column amounts for September 2022 are from September 2021 for CARES and ARP

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 14 – Grant Accrual Liability

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes available, which could impact the amounts reported and disclosed herein. The Endowment's grants and cooperative agreements expenses are comprised of two components: (1) actual grant expenditures reported by grantees through reimbursement submissions, and (2) an estimate (accrual) of grantee expenditures incurred but not yet reported as a request for reimbursement from agency. The Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR12) "Accrual Estimates for Grant Programs" addresses preparation of accrual estimates for grant programs.

TR12's guidance on internal control procedures is to ensure the grant accrual estimates are reasonable, based on "comparing the estimates with subsequent grantee reporting."

NEH has historically performed a review via the "look back" analysis for estimating accruals for grant liabilities. Requests for payments may be received several months after grantee expenses are incurred. When a grant is due for payment but has not yet been disbursed, an adjustment entry is needed to recognize accrued liability. The look back analysis calculated a 5-year average percentage for estimating accrual amounts by analyzing payment trends by quarter and prior year periods of performance.

In 2022, the existing methodology from 2021 was analyzed and it was determined that a change in methodology was needed because the estimates calculated for prior years produced variances much greater than actual grant liability. This was primarily due to changes in the timing of the grant award cycle and disbursement patterns of the two covid related supplemental appropriations. The changes made were to use prior FY actual liability figures, calculate the rates of change in unliquidated obligations balances from PY and CY and add/subtract the amounts to the total of prior year actual liability. If the change rate is a positive percentage, then the amount would be added, conversely if the rate is negative, then be subtracted. In the event that this methodology would not apply, then the unliquidated obligations balance would be pro-rated based on period of performance.

The grant accrual was \$43,874,670 and \$48,880,633 as of September 30, 2022 and September 30, 2021. Based on the standards for material change in methodology between the accounting estimates and the actual results, the changes do not represent a misstatement of prior year financial statements as per TR12, paragraph 29.

Notes to the Financial Statements

As of and for the Period Ended

September 30, 2022 and 2021

(In Dollars)

Note 15 – Advances and Prepayments

	<u>2022</u>	<u>2021</u>
To federal agencies:		
Advances to federal agencies	\$ 2,787,973	\$2,930,156
To the public:		
Advances to grantees	2,669,506	2,866,826
Net	<u>\$5,457,479</u>	<u>\$5,796,982</u>

Audit Report Fiscal Year 2022



Independent Auditor's Report

Ms. Shelly Lowe
Chair
National Endowment for the Humanities

Ms. Laura Davis
Inspector General
National Endowment for the Humanities

In our audits of the fiscal years 2022 and 2021 financial statements of NEH, we found:

- NEH's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed¹; and
- one reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes an emphasis-of-matter paragraph related to a change in accounting principle, required supplementary information (RSI)² and other information included with the financial statements³; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

² The RSI consists of Management's Discussion and Analysis and Performance Information, which is included with the financial statements.

³ Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

Report on the Financial Statements

Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, we have audited NEH's financial statements. NEH's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, NEH's financial statements present fairly, in all material respects, NEH's financial position as of September 30, 2022, and 2021, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NEH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis Matter

As discussed in Note 14 to the financial statements, NEH revised its methodology for estimating its grant liability in fiscal year 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

NEH management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in NEH's Performance and Accountability Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial

likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEH's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

NEH's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis

and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in NEH's Performance and Accountability Report. The other information comprises the information included in the Performance and Accountability Report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of NEH's financial statements, we considered NEH's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies⁴ or to express an opinion on the effectiveness of NEH's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in *Appendix I*, our audit identified a deficiency in NEH's controls pertaining to the agency's lack of an effective Enterprise Risk Management (ERM) program, that represents a significant deficiency in NEH's internal control over financial reporting. *Appendix II* presents our assessment of the current status of the prior year significant deficiencies and the noncompliance matter.

During our 2022 audit, we identified other deficiencies in NEH's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant NEH management's attention. We have communicated these matters to NEH management and have reported on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to NEH's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Responsibilities of Management for Internal Control over Financial Reporting

NEH management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of NEH's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered NEH's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NEH's internal control over financial reporting. Accordingly, we do not express an opinion on NEH's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of NEH's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of NEH's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of NEH's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2022 related to the

implementation of an effective ERM program to comply with all requirements of OMB Circular A-123 that would be reportable under U.S. generally accepted government auditing standards. The noncompliance matter is explained further in *Appendix I*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to NEH. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

NEH management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to NEH.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to NEH that have a direct effect on the determination of material amounts and disclosures in NEH's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to NEH. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Williams, Arley & Company, DC, LLP
Washington, District of Columbia
November 10, 2022

22-01: Lack of Agency-wide Risk Assessment Procedures (Updated Repeat Finding)

The National Endowment for the Humanities (NEH) has not fully implemented an effective Enterprise Risk Management (ERM) program to comply with all requirements set forth in the Office of Management and Budget (OMB) Circular A-123, “*Management’s Responsibility for Enterprise Risk Management and Internal Control*” (OMB A-123) and OMB Circular A-136, “*Financial Reporting Requirements*” (OMB A-136).

During fiscal years 2020 and 2021, NEH undertook efforts to initiate and implement an ERM program. As part of the fiscal year 2021 corrective action plan, NEH successfully acquired consultative support and developed an ERM implementation project plan and an Enterprise Risk Management Board (ERMB) Charter. During the Enterprise Risk Management Board’s review of the ERM implementation activities in March 2022, it was determined that NEH did not have an adequate strategic planning process, a formalized internal control program structure, nor the long-term staffing resources to fully support the implementation of an ERM structure. Therefore, the scope and overall implementation efforts of the ERM implementation project plan were greatly expanded and the initial timeline extended. In addition, delays were experienced due to vacancies in the NEH Chair and Director of the Office of Acquisition positions.

During fiscal year 2022, we determined that NEH expanded the scope of the work to be completed by the consultative support initially hired during fiscal year 2021 to include the Strategic Planning and Internal Controls portions of the ERM Implementation Plan. Other notable accomplishments include the completion of initial risk assessments, root cause analyses, and the identification of NEH’s current risks and risk vulnerabilities. While NEH has made progress towards implementing its ERM program, due to the length of time required to implement an ERM program, NEH has not fully implemented an effective ERM program as of September 30, 2022. Additionally, NEH was unable to provide the underlying source documentation used to generate the Agency’s performance results included within the Management Discussion & Analysis (MD&A) and Performance Information sections of NEH’s fiscal year 2022 PAR.

OMB A-123 requires agencies to integrate risk management and internal control functions. OMB A-123 also establishes an assessment process based on the Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government (known as the Green Book). Management must implement those processes in order to properly assess and improve internal controls over operations, reporting, and compliance.

OMB A-123 requires agencies to implement an ERM capability coordinated with the strategic planning and strategic review process established by the Government Performance and Results Act Modernization Act and the internal control processes required by the Federal Managers’ Financial Integrity Act and the Standards for Internal Control in the Federal government, as issued by the Comptroller General of the United States.

OMB Circular A-136 requires that a (PAR) must contain, as required supplementary information (RSI), a section on MD&A. As part of this MD&A section, and to help the reader assess the efficiency and effectiveness of major programs, the MD&A should discuss organizational performance results compared to broad organizational outcomes. It should compare actual

performance results achieved against the goals, objectives, and outcomes established in the Agency Strategic Plan and Annual Performance Plans. The MD&A should link goals to cost categories or responsible segments in the Statement of Net Cost (SNC) and/or budgetary resources, as appropriate.

NEH personnel stated this deficiency occurred due to inadequate resources to stand up a full-fledge ERM program across the agency to comply with the requirements of OMB A-123. In addition, NEH does not currently have procedures, or resources, in place to ensure the performance results included within the MD&A and Performance Information sections of their fiscal year 2022 PAR are supported and reported in accordance with OMB A-136.

Without a dedicated ERM program, NEH will not be able to adequately identify risks to the agency and determine the effectiveness of operations and the control environment, leaving the agency ill prepared to face any failures of controls that may arise. Also, without an effective ERM program, NEH cannot ensure the organizational performance results identified in the MD&A and Performance Information sections of their PAR are linkable to the Strategic Plan and financial statements. Additionally, without documentation to support the performance metrics stated in the PAR, NEH cannot ensure a material misstatement of fact does not exist or that the information is not misleading.

We recommend that the NEH:

1. Implement the outstanding phases as of September 30, 2022 of its ERM project plan, including developing and maintaining a risk register and risk profiles across the agency.
2. Develop procedures and controls to ensure the performance information reported in the PAR is supported by underlying documentation (e.g., performance reports, reports from the Grants Management System, etc.) and that the performance reports are linkable to the financial statements in accordance with OMB A-136.

Appendix II – Status of Prior Year Finding and Recommendation

Our assessment of the current status of the prior year finding is presented below.

Prior Year Finding	Current Status
21-01: Lack of Agency-wide Risk Assessment Procedures (Noncompliance/Significant Deficiency)	Open. Finding has been updated and repeated in Appendix I as 22-01.

IV. Other Accompanying Information

NEH Inspector General's Summary of Management Challenges

Management and Performance Challenges for the

National Endowment for the Humanities

FY 2022

Information Technology Security

Risks to Federal government information and communication systems include insider threats from disaffected or careless employees and business partners; escalating and emerging threats from around the globe; the ease of obtaining and using hacking tools; the steady advance in the sophistication of attack technology; and a myriad of issues with technology supply chain security. The National Endowment for the Humanities (NEH) relies on information management systems to carry out the agency's mission and operations, and to process, maintain, and report essential information. Such dependence makes the agency's core information systems potentially vulnerable to cyber-based threats. The *Federal Information Security Modernization Act of 2014* (FISMA) requires each Federal agency to develop, document, and implement an agency-wide program to provide information security and develop a comprehensive framework to protect the government's information, operations, and assets. NEH leadership has committed to the maintenance of information security policies and procedures consistent with FISMA and National Institute of Standards and Technology (NIST) requirements and continues to undertake efforts to institutionalize those policies and procedures. During fiscal year 2022, the NEH completed long-standing actions, the nature of which will advance implementation of the agency's information security continuous monitoring program. This accomplishment enhances the agency's capacity to maintain ongoing awareness of information security, vulnerabilities, and threats to critical information systems. However, considering the increasingly sophisticated and malicious cyber campaigns that threaten Federal agencies, full implementation of an effective information security program will continue to be a challenge for the NEH.

To further reinforce the Federal Government's defense against increasingly sophisticated and persistent threat campaigns, agencies are required to meet specific cybersecurity standards and objectives by September 30, 2024. In May 2021, President Biden issued Executive Order (EO) 14028, *Improving the Nation's Cybersecurity*, initiating a sweeping Government-wide effort to ensure that baseline security practices are in place to migrate the Federal Government to a "zero trust" architecture, and to realize the security benefits of cloud-based infrastructure while mitigating associated risks. The Federal Government can no longer depend on conventional perimeter-based defenses to protect critical systems and data. Transition to a "zero trust" approach to security provides a defensible architecture for the current threat environment. The foundational tenet of the "zero trust" model is that no actor, system, network, or service operating outside or within the security perimeter is trusted. Instead, anything and everything attempting to establish access must be verified. This strategy places significant emphasis on stronger enterprise identity and access controls, including multi-factor authentication. This strategy also sets a new baseline for access controls across the Government that prioritizes defense against sophisticated phishing and directs agencies to consolidate identity systems so that protections and monitoring can be consistently applied.

Considering the evolving nature of cyber-based intrusions and attacks on Federal systems, as well as other challenges related to the implementation of "zero trust" cybersecurity principles, it is critical that NEH leadership continue to focus on strengthening the effectiveness of the agency's information security program.

Enterprise Risk Management

Enterprise Risk Management (ERM) is an effective agency-wide approach to addressing an organization's external and internal risks through an understanding of the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos. ERM provides an enterprise-wide, strategically-aligned portfolio view of organizational challenges that informs decisions concerning the priority of resource allocations to ensure effective and efficient mission delivery. ERM practices support decision making processes, such as policy and program development and implementation (including information security programs), program performance reviews, strategic and tactical planning, human capital planning, capital investment planning, and budget formulation. OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires agencies to implement an ERM capability coordinated with the strategic planning and strategic review processes established by the *Government Performance and Results Act Modernization Act of 2010* and the internal control processes required by the *Federal Managers' Financial Integrity Act of 1982* and the *Standards for Internal Control in the Federal Government*, as issued by the Comptroller General of the United States. Agency management must establish and sustain a governance structure to effectively direct and oversee implementation of OMB Circular A-123 and all the provisions of a robust process of risk management and internal control.

NEH leadership has undertaken efforts to design and formalize a sustainable ERM program that is suitable for the NEH. In partnership with a consulting firm, the NEH has developed an ERM implementation plan and has established an Enterprise Risk Management Board (ERMB), consistent with the agency's ERMB Charter¹. During fiscal year 2022, NEH officials expanded the scope of planned ERM implementation efforts to address strategic planning, internal control, and sustainability concerns identified by the ERMB. This expansion has resulted in the acquisition of additional contractor support.

ERM is an iterative process that evolves over time. NEH leadership must build on existing risk management activities and continue to focus on maturing the Agency's ERM capabilities – ensuring that program and operational risk assessments are fulsome and used to inform the quality of strategic decision-making. However, this focus also warrants the exercise of fiscal discretion during oversight of implementation efforts.

¹ The ERMB Charter contains guidance for the establishment of the Board and outlines the scope, policies, roles and oversight responsibilities of the Board.

Chair's Response to Inspector General Management Challenges




NATIONAL
ENDOWMENT
FOR THE
HUMANITIES

THE CHAIR

Date: November 15, 2022

To: Laura Davis
Inspector General

From: Shelly C. Lowe (Navajo) 
Chair

Thank you for your assessments of the significant management challenges facing NEH in FY 2022. Responses to your specific concerns are detailed below.

Information Technology Security

NEH agrees the agency should continue to focus on cybersecurity efforts to protect agency information and processes. In the past year, NEH strengthened cybersecurity management by updating FISMA related policies and procedures, developing contingency and continuous monitoring plans, undergoing an external assessment, and fully authorizing the General Support System and Grants Management System. NEH has planned projects to adopt a zero-trust architecture as described in Executive Order (EO) 14028, Improving the Nation's Cybersecurity. A project to implement the Zero Trust Model's Identity pillar requirements is well underway. Funding has been committed for additional projects to redesign the remote access system as described in the Device, Application, and Networks pillars. This project will kick off in FY23Q1. Funding has been committed for the Data pillar as well. NEH will begin planning for projects to address the data pillar soon after the arrival of the Director of the Office of Data and Evaluation.

Enterprise Risk Management

NEH acknowledges this challenge and understands the importance of a comprehensive, agency-wide approach to enterprise risk management (ERM). We continue to work toward compliance through the development of detailed corrective action and project plans to directly address the audit findings for ERM. NEH continues to implement project plan activities and looks to ensure specific, dedicated resources and manpower are allocated to ensure ERM maturity to achieve full compliance with OMB Circular A-123.

Summary of Financial Statement Audit and Management Assurances

The following provides a summary of the negative reports of material weaknesses and all items corrected for FY2022.

Management's Responsibility for Internal Control and Compliance

NEH's management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under FMFIA, (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring NEH financial management systems are in substantial compliance with FFMA requirements, and (4) ensuring compliance with other applicable laws, regulations, contracts, and grant agreements.

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of Federal programs. FFMIA requires that financial management systems provide reliable, consistent disclosure of financial data in accordance with generally accepted accounting principles and standards. These systems must also comply with (1) Federal Financial Management System requirements, (2) applicable Federal accounting standards, and (3) the U.S. Standard General Ledger (USSGL) at the transaction level.

Material weaknesses and financial system conformance, as related to management's assurance for the Federal Managers' Financial Integrity Act (FMFIA) and the certification for the Federal Financial Management Improvement Act (FFMIA) are summarized below.

Table 1 - Summary of Financial Statement Audit for the Year Ending September 30, 2022

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
No items to report	0	-	-	-	0
Total Material Weaknesses	0	-	-	-	0

Table 2 - Summary of Management Assurances for the Year Ending September 30, 2022

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report						
Total Material Weaknesses	0	-	-	-	-	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						

Statement of Assurance		Systems conform to financial management system requirements				
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
No items to report	0	-	-	-	-	0
Total Material Weaknesses	0	-	-	-	-	0
Compliance with Section 803 (a) Federal Financial Management Improvement Act (FFMIA)						
*Not Applicable to Non-CFO Act Agencies per OMB Circular A-127 Sec. 8D						
		Agency		Auditor		
1. System Requirements		X		X		
2. Accounting Standards		X		X		
3. USSGL at Transaction Level		X		X		

Management Accountability for Internal Controls

Existing control processes and continued Enterprise Risk Management implementation of the revised OMB Circular A-123 requirements continue to ensure NEH's internal controls over financial reporting and systems are effective. Improved internal controls enhance safeguards against improper payments, fraud, waste, and abuse to better ensure proper stewardship of taxpayer dollars and continue to be used effectively and efficiently to meet NEH's program objectives. The agency is currently undertaking a comprehensive internal control "as is" assessment to inform the state of the current program and make recommendations as to how NEH can structure and implement an internal controls program consistent with findings and best federal practices. Future reports as part of this effort include deep dive reviews of each of A123 appendices and an acquisition assessment which are anticipated in the coming fiscal year.

Agency Information Systems and Other Infrastructure

The NEH agency financial management system is Oracle Financial Systems (OFS) platform, which is supported internally, hosted in a cloud environment and nested within the NEH information technology network and security. OFS is the agency's source system of financial records and are supported by complimentary internally developed systems such as eGMS for grant awards, requisition system for administrative obligations, panelist payment system for peer review process management and Treasury systems interfaces as required by the Treasury Financial Manual. These systems provide information, system controls and interface data with OFS to maintain the agency's financial information serving as the source system of financial transactions and records for generation of the agency financial statements, records and reports.

NEH believes its current internal control, human capital, information systems and other infrastructure resources are sufficient to maintain the goals of safeguarding personally identified information. As the agency continues to implement and mature ERM activities, further alignments within the NEH risk framework are currently underway and believes that continued reviews and strengthening of internal controls are necessary to address new and evolving risks that emerge with the stewardship of taxpayer resources.

Enterprise Risk Management (ERM)

ERM was originally identified from a previous financial statement audit and as a repeat finding as of the current year. The NEH greatly expanded the scope of the original finding this year to be inclusive of a federally compliant strategic planning process and an internal controls assessment to include specific OMB Circular A-123 requirements. The agency continues to make significant progress as noted in the current year audit report for implementation activities including but not limited to; scope expansion, continued development of policies and procedures, such as administrative directive and standard operating procedures, the adoption of

an agency risk appetite statement and continue to evolve agency risk culture into agency planning and decisions processes.

OIG Management Challenges

OIG identified several areas as challenges for management to address with respect to Information Technology security and Enterprise Risk Management. The Chair addresses these areas identified through the formal response letter as the agency continues to implement requirements into the agency ERM infrastructure and framework.

Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) repealed and reorganized several existing improper payment statutes for reducing improper payments. The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012. PIIA requires federal agencies to review programs and activities, identify those most susceptible to significant improper payments, estimate amounts of improper payments and establish reporting requirements. For high-risk programs, agencies must estimate the amount of improper payments, establish reduction targets, and develop and implement corrective actions.

Improper payments are defined by GAO¹ are: *“Any payment that should not have been made or made in an incorrect amount”*. Further defined by OMB and U.S. Department of Treasury²: *“...consists of two main components (1) improper payments resulting in a monetary loss to the Government and (2) improper payments that do not result in a monetary loss to the Government. Monetary loss occurs when payments are made to the wrong recipient and/or in the wrong amount. Improper payments that do not result in a monetary loss include under-payments and payments made to the right recipient for the right amount, but the payment was not made in strict accordance with statute or regulation”*.

A program determined to be susceptible to significant improper payments is referred to as a high-risk program within the agency having a 1.5 percent improper payment rate and at least \$10 million in improper payments or exceeds \$100 million in improper payments (regardless of rate). Readers can obtain more detailed information on improper payments and information published at [here](#).

Program Descriptions & Risk Assessment Summary

NEH typically receives no-year funding in its regular appropriation in which annual carry-over authority is granted by OMB. The agency received a supplemental 2-year appropriation as related to CARES Act in 2020 and supplemental no-year appropriation, America Rescue Plan Act in 2021.

Risk assessments help determine risk of significant improper payments for each fund category through identification of improper payment risk factors, mechanisms to identify risks, management’s analysis of the risk effects, the controls developed to address identified risks and to determine whether the risk of erroneous payments is significant. Dollar amounts represent millions (M) unless otherwise stated.

¹ [Government Accountability Office-Improper Payments](#)

² [Payment Accuracy.gov](#)

The agency does not perform recovery audits because it has a %100 recovery policy should an improper payment be identified through the course of operations, audits or for risk and assessment and sampling audit purposes.

Administrative Program Funds (210)

The majority of NEH administrative program costs consist of payroll representing approximately \$26.6M in outlays or 78.3% of the administrative budget; related to personnel compensation. Outlays of payroll funds follow strict payroll policies, procedures, access and system controls maintained by our payroll service provider, who disburses funds to agency employees on behalf of NEH. Agency processes and system access & roles controls along with a multi-layered segregation of duties across several offices are in place before outlays occur. NEH has deemed this program as not susceptible to improper payment risk.

Other programs categories represent \$6.6M in outlays or 21.7% of costs from vendor payments, intragovernmental payments, employee travel, other employee payments, panelists for peer review, and credit card purchase card transactions. These costs fall below the 1.5 percent, \$10 million threshold in determination of being susceptible to significant improper payments. As a result, the agency determined that the non-payroll Administrative Fund program is not susceptible to significant improper payments.

Definite Grant Program Funds (225)

NEH's recurring annual appropriation is grant program funds. Annual outlays were identified as \$108.1M in FY 2022. For sampling of payments over \$50 thousand or greater, 600 representing \$61.7M were identified and 46 were audited representing a total of \$4.9M. No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

The Matching Grants program funds 254 and 255 were not included in the agency's risk assessment and sampling. Outlays represent \$7.2M and fall below the criteria of improper payment rate of exceeding 1.5 percent of program outlays and \$10M threshold for all program or activity payments made during the fiscal year. NEH determined the Matching Grants program is not susceptible to significant improper payments.

CARES Act (226)

NEH received \$75M in FY2020 in supplemental appropriations from the Coronavirus Aid, Relief and Economic Security Act (CARES) in which expired September 30, 2021. Annual outlays were \$4.6M in FY2022. For sampling of payments over \$50,000 thousand or greater, 21 transactions representing \$61.7M were identified and 3 were audited representing a total of \$476 thousand. No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

American Rescue Plan (227)

NEH received \$135M in FY2021 in supplemental appropriations from the America Rescue Plan Act of 2021 (ARP) as no-year funding. Annual outlays were \$59.8M in FY 2022. For sampling of payments over \$50 thousand or greater, 262 representing \$61.7M were identified and 10 transactions were audited representing a total of \$1.8M. No issues were noted in sample audits and NEH has deemed this program as not susceptible to significant improper payments.

Summary

The NEH risk assessments resulted in a FY 2022 IPIA reporting error rate of zero percent for 210, 225, 226, 227 funds, demonstrating NEH has sufficient internal controls over its payment processes. To maintain a zero percent testing and error rate, NEH continues implement its Enterprise Risk Management (ERM) program and analyze internal controls through assessments,

continuous internal monitoring of possible improper payments, centralization of accounting functions and roles, improvement of systems and processes for efficiency and compliance purposes.

Statistical Sampling Process

NEH maintains the same payment certification process for all payments made by the agency. For all agency programs, potential payments are reviewed to ensure that; (1) an approved obligation exists in the agency's accounting system; (2) invoices are properly signed and approved; (3) payment is being sent to the correct vendor and bank account; (4) payment amount is accurate; (5) payment was charged to the correct obligation in the accounting system.

NEH performs outlay analysis and sampling for payment integrity and improper payment susceptibility. The inclusion of supplemental appropriations associated with the receipt Coronavirus Aid, Relief and Economic Security Act (CARES) was included to maintain consistency in this document for federal reporting requirements. The America Rescue Plan Act of 2021 meets the outlay and threshold requirements for sampling.

Root Causes & Drivers, Corrective Action Plans, Recovery of Improper Payments & Recapture Audits

NEH recovers 100% of funds identified as an improper payment and a root cause analysis is performed for each instance. There are no current corrective action plans active with respect to improper payments. Due to the low amounts of improper payments for all agency funds, post-payment reviews and recapture audits would not be cost effective for the agency.

Fraud Reduction Report

Each federal agency must include a report on its fraud reduction efforts undertaken in FY 2022. The report must include information on the agency's:

- Implementation of (1) financial and administrative controls established pursuant to the *Fraud Reduction and Data Analytics Act of 2015* (Pub. L. 114-186, 32 U.S.C. §3321 note), (2) the fraud risk principle in the *Standards for Internal Control in the Government* (the Green Book), and (3) *Management's Responsibility for Enterprise Risk Management and Internal Control* (OMB A-123) with respect to leading practices for managing fraud risk;
- Identification of risks and vulnerabilities to fraud (including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards); and
- Establishment of strategies, procedures, and other steps to curb fraud.

As required by the Office of Management and Budget and OMB A-123, the NEH continues to implement and mature fraud risk management into its Enterprise Risk Management (ERM) program and framework to effectively identify, assess, analyze, prioritize, document responses to, and monitor fraud risks of its operational and grant making processes and activity.

NEH is committed to its responsibility as a steward of taxpayer resources. Fraud can take many forms, such as:

- Intentional misstatement, misapplications or omissions in financial data, statements, notes, and other reports
- Theft of agency assets

- Illegal acts of agency staff, such as bribery
- Waste and abuse of agency resources or authority

Financial and Administrative Controls:

NEH has conducted implementation activities related to a risk identification and an assessment management process, to consolidate and analyze the types of threats to assets, projects, and stakeholders the agency faces. An entity wide risk appetite statement was developed and approved for the agency. Continued implementation activities will also enable evaluation of the agency's risk capacity, risk tolerance, and risks to support management decisions to achieve planned goals.

- *Fraud Risk Principle (Green Book)*: Principle 8 of GAO's Standards for Internal Control in the Federal Government requires the agency to consider the potential for fraud and types of fraud that can occur (including waste and abuse). These standards also require management to leverage fraud risk factors and to identify fraud risks to the agency. Each federal agency should analyze and respond to the identified fraud risks for effective mitigation. NEH is developing a comprehensive Fraud Risk Framework, once implemented, will meet the Green Book fraud consideration requirements listed within Principle 8.
- *Identification of risks and vulnerabilities to fraud*: The NEH Fraud Risk Framework, contains entity-level and process-level risk assessments capturing agency risks and vulnerabilities to related to fraud through a 'top-down' and 'bottom-up' approach to identification.
- *Establishment of strategies, procedures, and other steps to curb fraud*: NEH established the Enterprise Risk Management Board (ERMB) as the governance body to: (1) oversee its ERM implementation efforts and eventual oversight (2) assess its fraud risk mitigation strategies; (3) provide entity wide ERM and Internal Controls guidance; and (4) advocate for the design and implementation of efforts to mitigate fraud risks.
- *OMB A-123*: NEH is developing and implementing a compliant, future-state process at the entity-level, process-level, and transaction-level for each of the appendices inclusive of the acquisition assessment. The agency is also facilitating a current-state assessment of its internal controls program and each appendix to serve as a roadmap to create internal infrastructures of process to further strengthen the annual Statement of Assurance process.

Summary of Expired Federal Grants and Cooperative Agreements

Category	2-3 Years	3-5 Years	More than 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	4
Number of Grants/Cooperative Agreements with Undisbursed Balances	40	26	16
Total Amount of Undisbursed Balances	\$472,298.64	\$338,383.24	\$1,194,244.93³

NEH is committed to making closeout a priority in promoting and ensuring financial accountability of grant awards. NEH staff review final reports to administratively and financially close out the award. Per regulation, financial closeout begins 120 days after the period of performance expiration date. In fiscal year 2022, NEH closed 965 grant awards.

Since last year's report, NEH has taken significant steps to close out its backlog of open awards. NEH established a unilateral closeout policy and a Closeout Project Team focused on closing out the backlog. The unilateral closeout policy aligns NEH's closeout requirements with 2 CFR § 200.344, requiring recipients to submit required reports within 120 days after the period of performance and, in the case of noncompliance, requiring NEH to proceed with closeout with the information available within one year after the period of performance end date.

Using the unilateral closeout policy, NEH closed out 412 awards from its backlog and ensured that both the Oracle Financial System (OFS) and Electronic Grant Management System (eGMS) align to reflect these closures. The closeout project team will continue to prioritize closing out the remaining awards in the backlog. Because of their age, balances, report statuses, and other conditions preventing closeout, the remaining awards require additional staff time.

As required by OMB Circular A-136, Financial Reporting Requirements, the "Expired Federal Grants and Cooperative Agreements Summary" above shows 86 awards totaling \$2,004,926.81 for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2022 (i.e., on or before September 30, 2020). This represents an 80 percent decrease in the number of awards reported in FY 2021 (from 441 to 86 awards) and a 47 percent decrease in the total amount of undisbursed balances (from \$3,790,026.21 to \$2,004,926.81).

Anti-deficiency Act (ADA)

Title 31 U.S. Code (U.S.C.) Section 1517 states that an officer or an employee of the United States Government may not make or authorize an expenditure or obligation exceeding an apportionment or an amount permitted by regulations as prescribed by Title 31 U.S.C. Section 1514. NEH continues to implement and mature ERM requirements inclusive of fraud risk into the overall agency risk framework and internal controls assessments. In FY 2022, NEH had no ADA violations to report.

³ excludes 4 awards' negative balances